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Farm-Mortgage Lending

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C & R-PREP.

Experience of 20 Life Insurance Companies,

Federal Land Banks, and

Farmers Home Administration

JULY THROUGH SEPTEMBER 1962

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The uptrend in farm-mortgage lending which began in the winter of 1960-61 continued in the third quarter of 1962. The dollar volume of loans made by the Federal land banks, the Farmers Home Administration, and the 20 life insurance companies was 8 percent higher than in July-September of 1961, and 44 percent higher than in the same period in 1960. Debt repayment showed a relatively small year-to-year increase. The number of mortgages with interest overdue continued low. As in other recent periods, the average size of loans made rose considerably during the quarter, while the number of loans changed little. Interest rates on life insurance company loan commitments averaged 5.78 percent, very slightly down from the second quarter average of 5.84 percent. Rates at Federal land banks did not change, with most of the banks charging 5 1/2 percent.

Loans made by the three lenders during the quarter, including increases in existing loans, totaled \$284 million. The Federal land banks made 48 percent of these loans, the life insurance companies 38 percent, and FHA 14 percent. ^{1/} Loan volume of the Federal land banks was up about 4 percent from the third quarter of 1961. The number of loans closed declined 4 percent but the average size increased 8 percent.

The dollar volume of loans made by the life insurance companies in June-September 1962 was higher by 9 percent than in the third quarter of 1961; the average size of new loan was up about 12 percent. There was a decline in the volume of lending to borrowers who already had a mortgage loan with the company. Borrowers used a smaller proportion of the new loans to refinance existing insurance company loans, and a larger proportion to purchase farm real estate and to improve land and buildings.

Despite a 7-percent rise in outstanding debt, principal payments on mortgage debt held by life insurance companies were lower in the third quarter of 1962 than a year earlier. As a proportion of mortgage debt outstanding at the beginning of the respective quarters, repayments declined from 1.8 percent in 1961 to 1.6 percent in 1962.

^{1/} Excludes FHA-insured loans which are financed by banks, individuals, and other investors.

The dollar amount of direct rural-housing and farm-ownership loans made by FHA in the third quarter was higher by \$7 million, or 21 percent, than in the third quarter of 1961. Direct lending continued to be dominated by loans for rural housing--70 percent of the dollar volume of loans made from July through September were for this purpose and only 30 percent were for farm ownership. Rural-housing loans are made both for farm housing and nonfarm housing in rural areas. Third-quarter estimates of the proportionate amounts of rural-housing loans used for each purpose are not available. However, of the number of such loans made, nearly three-fourths were for nonfarm housing.

Volume of FHA-insured loans--not included in the data in the tables of this report--also increased rapidly. As of September 30, 1962, these insured loans outstanding to individuals totaled \$372 million, an increase during the third quarter of \$38 million, or 11 percent. FHA is authorized by recent legislation to insure \$200 million of farm real estate loans annually; the previous limit was \$150 million. The interest rate charged borrowers on these loans is 5 percent; the lender holding the insured loan receives $4\frac{1}{2}$ percent.

The following tables compare farm-mortgage lending activity of the three lender groups for selected periods of 1961 and 1962.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1961 and 1962

Item	Quarter ending--			Percentage change, quarters ending--	
	Sept. 30, 1961	June 30, 1962	Sept. 30, 1962	Sept. 30, 1961, and Sept. 30, 1962	June 30 and Sept. 30, 1962
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	193,679	192,459	1/ 193,010	-0.3	0.3
Principal indebtedness:					
Total-----1,000 dollars--	2,877,143	2,995,478	1/ 3,072,989	6.8	2.6
Average-----dollars--	14,860	15,560	15,920	7.1	2.3
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	2,880	3,886	2,966	3.0	-23.7
Principal indebtedness:					
Total 2/-----1,000 dollars--	78,624	116,676	88,014	11.9	-24.6
Average 3/-----dollars--	23,420	4/ 24,600	26,170	11.7	6.4
Increase in principal of mortgages already owned 3/-----1,000 dollars--	19,042	21,582	18,605	-2.3	-13.8
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	2,777	3,326	2,904	4.6	-12.7
Amount:					
Total 5/-----1,000 dollars--	30,954	38,503	29,840	-3.6	-22.5
Average 6/-----dollars--	10,200	10,830	9,580	-6.1	-11.5
Other 6/-----1,000 dollars--	19,485	22,231	19,198	-1.5	-13.6
Total-----do-----	50,439	60,734	49,038	-2.8	-19.3
Percent of principal indebtedness, beginning of quarter-----	1.8	2.0	1.6	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	3	3	7	133.3	133.3
Principal indebtedness:					
Total-----1,000 dollars--	45	19	628	7/	7/
Average-----dollars--	15,000	6,300	4/ 11,330	-24.5	79.0
<u>End of Quarter</u>					
Mortgages owned:					
Number 8/-----	193,775	193,004	193,066	-.4	2/
Principal indebtedness:					
Total-----1,000 dollars--	2,924,325	3,072,983	3,129,942	7.0	1.9
Average-----dollars--	15,090	15,920	16,210	7.4	1.8
Mortgages in process of foreclosure:					
Number-----	80	67	106	32.5	21.8
Percent of total-----	2/	2/	.1	---	---
Principal indebtedness-----1,000 dollars--	2,079	1,916	2,449	17.8	27.8
Percent of total-----	.1	.1	.1	---	---
Mortgages with interest overdue more than 3 months:					
Number-----	342	509	367	7.3	-27.9
Percent of total-----	.2	.3	.2	---	---
Principal indebtedness-----1,000 dollars--	7,887	10,927	8,550	8.4	-21.8
Percent of total-----	.3	.4	.3	---	---
Mortgage-loan commitments during quarter:					
Number-----	4,573	4,962	4,487	-1.9	-9.6
Amount:					
Total-----1,000 dollars--	142,001	153,816	155,301	9.4	1.0
Average-----dollars--	31,050	31,000	34,610	11.5	11.6

1/ Because of consolidation and/or splitting of loans there was a net increase of 1 loan in number and \$6,000 in amount from the number and amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data. 2 companies did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Excludes 1 large loan. 5/ Includes principal payments on farm mortgages not paid in full for 2 companies. 6/ 18-company data. 2 companies did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 7/ More than 500 percent. 8/ Because of consolidation and/or splitting of loans, there was a net decrease of 4 loans in the 3d quarter of 1961, 7 loans in the 2d quarter of 1962, and a net increase of 1 loan in the 3d quarter of 1962. 9/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies, United States, selected quarters, 1961 and 1962

Item	Quarter ending--				
	Sept. 30, 1961	Dec. 31, 1961	Mar. 31, 1962	June 30, 1962	Sept. 30, 1962
	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>
Amount of commitments-----	141,722	168,329	187,985	153,818	155,281
Percentage of total funds committed for--	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Farm real estate purchases-----	30.3	34.0	30.0	32.5	35.2
Refinancing <u>1/</u> --					
Mortgages held by--					
Own company-----	20.8	20.2	25.4	22.2	18.9
Others-----	11.4	13.8	13.2	11.9	13.8
Total-----	32.2	34.0	38.6	34.1	32.7
Other indebtedness-----	18.4	18.6	16.4	18.7	15.3
Total refinancing-----	50.6	52.6	55.0	52.8	48.0
Repairs and improvements to land and buildings-----	9.0	6.1	6.4	7.2	10.1
Other purposes:					
Known-----	9.9	7.3	8.6	7.5	6.7
Unknown-----	.2	<u>2/</u>	<u>2/</u>	<u>2/</u>	0
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another.

2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, July 1 through Sept. 30, 1962 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribu- tion	Total	Percentage distribu- tion	
		<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
5 percent or less-----	19	0.9	412,600	0.5	21,720
5 1/4 percent-----	17	.8	423,000	.5	24,880
5 1/2 percent-----	812	37.3	30,190,457	35.1	37,180
5 3/4 percent-----	391	18.0	15,115,417	17.6	38,660
6 percent-----	813	37.4	33,954,832	39.5	41,760
6 1/4 percent-----	56	2.6	3,010,295	3.5	53,760
6 1/2 percent-----	63	2.9	2,283,474	2.7	36,250
6 3/4 percent and over-----	3	.1	505,000	.6	168,330
Total or average-----	2,174	100.0	85,895,075	100.0	39,510

1/ The weighted average interest rate, based on 2,747 loans and a total amount committed of \$108,435,575, is 5.779 percent.

Table 4.--Federal land banks: Farm-mortgage loans, United States, July 1 through Sept. 30, 1961 and 1962 ^{1/}

Item	1961	1962	Percentage change
			<u>Percent</u>
Loans outstanding, July 1: ^{2/}			
Number-----	379,958	381,147	0.3
Amount-----1,000 dollars--	2,727,547	2,968,438	8.8
Average-----dollars--	7,180	7,790	8.5
Loans closed: ^{3/}			
Number-----	9,941	9,535	-4.1
Amount-----1,000 dollars--	131,495	136,296	3.7
Average-----dollars--	13,230	14,290	8.0
Decrease in loans (net):			
Number-----	9,316	9,627	3.3
Amount-----1,000 dollars--	75,130	83,799	11.5
Average-----dollars--	8,060	8,700	7.9
Loans outstanding, Sept. 30: ^{2/}			
Number-----	380,583	381,055	.1
Amount-----1,000 dollars--	2,783,912	3,020,935	8.5
Average-----dollars--	7,310	7,930	8.5

^{1/} Includes Puerto Rico.

^{2/} Includes purchase-money mortgages, sales contracts, and so on, and excludes loans called for foreclosure.

^{3/} Gross number and amount of all loans closed, including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration.

Table 5.--Federal land banks: Interest rates charged by districts, Sept. 30, 1962

District	Rate	Effective date	District	Rate	Effective date
	<u>Percent</u>			<u>Percent</u>	
Springfield-----	5.75	Mar. 27, 1961	St. Paul-----	5.50	Jan. 3, 1961
Baltimore-----	6.00	Sept. 1, 1959	Omaha-----	5.50	Mar. 24, 1961
Columbia-----	^{1/} 5.50	July 1, 1961	Wichita-----	5.50	Jan. 3, 1961
Louisville-----	5.50	Jan. 1, 1961	Houston-----	5.50	Jan. 1, 1961
New Orleans-----	5.50	Jan. 2, 1961	Berkeley-----	5.50	Apr. 1, 1961
St. Louis-----	5.50	Jan. 1, 1961	Spokane-----	5.50	Apr. 1, 1961

^{1/} New loans written at 6 percent but borrowers currently charged 5.50 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1961 and 1962 ^{1/}

Item	Quarter ending--			Percentage change, quarters ending--	
	Sept. 30, 1961	June 30, 1962	Sept. 30, 1962	Sept. 30, 1961, and Sept. 30, 1962 ^{2/}	June 30, and Sept. 30, 1962
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	65,256	73,068	75,614	15.9	3.5
Principal indebtedness-----1,000 dollars--	487,281	565,543	588,225	20.7	4.0
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	3,407	3,214	3,614	6.1	12.4
Principal indebtedness-----1,000 dollars--	31,874	30,336	39,730	24.6	31.0
Increase in principal of mortgages already owned-----1,000 dollars--	2,038	599	1,207	-40.8	101.5
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	579	629	635	9.7	1.0
Amount-----1,000 dollars--	2,506	2,963	2,906	16.0	-1.9
Other-----do-----	2,547	5,010	3,037	19.2	-39.4
Total-----do-----	5,053	7,973	5,943	17.6	-25.5
Percent of principal indebtedness, beginning of quarter-----	1.0	1.4	1.0	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	36	39	29	-19.4	-25.6
Principal indebtedness-----1,000 dollars--	182	280	153	-15.9	-45.4
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	68,048	75,614	78,564	15.5	3.9
Principal indebtedness-----1,000 dollars--	515,958	588,225	623,066	20.8	5.9
Mortgages behind schedule in regard to amortization payments:					
Number-----	3,629	4,847	4,107	13.2	-15.3
Percent of total-----	5.3	6.4	5.2	---	---
Principal indebtedness-----1,000 dollars--	30,618	41,387	35,902	17.3	-13.3
Percent of total-----	5.9	7.0	5.8	---	---
Mortgages in process of foreclosure:					
Number-----	68	70	68	0	-2.9
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars--	731	779	695	-4.9	-10.8
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: ^{3/}					
Farm-ownership loans: ^{4/}					
Number-----	1,316	831	87	-93.4	-89.5
Amount:					
Total-----1,000 dollars--	21,691	13,103	662	-96.9	-94.9
Average-----dollars--	16,480	15,770	7,610	-53.8	-51.7
Rural-housing loans: ^{5/}					
Number-----	1,753	2,388	10,055	473.6	321.1
Amount:					
Total-----1,000 dollars--	14,552	22,566	100,277	6/	344.4
Average-----dollars--	8,300	9,450	9,970	20.1	5.5

^{1/} Data for 48 States only. Separate data for farm-ownership and rural-housing loans are available upon request.^{2/} Data for the quarter ending Sept. 30, 1962, are not strictly comparable with data for the quarter ending Sept. 30, 1961, because of expansion commencing in October 1961 of the farm-housing provisions of the Housing Act of 1949 to include housing loans to rural nonfarm residents.^{3/} Initial loans obligated.^{4/} The interest rate on these loans is 5 percent.^{5/} The interest rate on these loans is 4 percent.^{6/} More than 500 percent.

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1960 through 1962 1/

Item	July 1 to Sept. 30, 1960	July 1 to Sept. 30, 1961	July 1 to Sept. 30, 1962
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	42	38	35
Refinancing--			
Mortgages held by--			
Farmers Home Administration--	0	1	0
Others-----	34	37	24
Total-----	34	38	24
Other indebtedness-----	6	5	0
Total refinancing-----	40	43	24
Repairs and improvements to land and buildings-----	17	18	40
Other purposes:			
Known-----	1	1	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.

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